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***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon
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**Re: AR 673 – In the Matter of Rulemaking to Implement 2025 Senate Bill 845**

NW Natural Water submits the following comments regarding the March 26, 2026 workshop at which Staff presented its discussion document in Docket AR 673 concerning proposed rules to implement Senate Bill 845 (2025). SB 845 authorizes the Commission to compel the sale of a privately owned water utility that is unable or unwilling to provide safe and adequate service. These comments address two related issues in the proposed rate base determination rules. First, the discussion document's rate base provision for a compelled sale diverges from the statutory rate base provision in SB 845 that applies when the owner of a distressed system seeks to sell after notice of the Commission's intent to file a contested case to determine whether to order a sale. Second, the draft rules do not include standards for qualifying for an acquisition adjustment or a defined process by which a purchasing utility may request a rate base determination above net book value ("NBV").

The discussion document states that rate base for a compelled sale will be established based on the NBV of the utility unless the Commission determines an acquisition adjustment is warranted based on the benefit to the customers being acquired and the public interest on a case-by-case basis. NW Natural Water understands this language to provide the Commission discretion to approve an acquisition adjustment above NBV. However, when a distressed utility applies to sell under ORS 757.480 after receiving notice of the Commission's intent to file a contested case to compel a sale, SB 845 directs the Commission to set rate base at a value between NBV and the purchase price, rather than to default to NBV subject to a discretionary exception. NW Natural Water respectfully submits that the proposed rule should be revised to more closely reflect this statutory rate base provision, and that the final rules contain clear, objective, and structured criteria and procedures for determining rate base within that range.

## I. Relationship Between the Proposed Rules and SB 845

A plain reading of SB 845 requires rate base to be set between NBV on the low end and the purchase price on the high end when the distressed utility responds to notice of a contested case by applying to sell under ORS 757.480. Under that framework, the purchase price is not merely an upper ceiling that may be approved in exceptional circumstances, but rather one of two reference points within which the Commission is to exercise its rate-setting judgment.

The proposed rules, as drafted, treat NBV as the presumptive rate base outcome for a compelled sale and any amount above NBV as a discretionary exception. To the extent this formulation differs from the statutory framework, it may benefit from revision. A rule that reflects the range-based structure of SB 845 and that identifies the criteria the Commission will apply in setting rate base within that range more closely aligns with the statute and gives prospective purchasers a clearer basis for evaluating and structuring transactions.

## II. The Rate Base Cap May Discourage Potential Buyers

The proposed rate base provisions may limit the purchase price a buyer is willing to offer. Potential purchasers who are uncertain whether amounts paid above NBV will be recoverable through rates may be reluctant to offer more than NBV. This uncertainty may discourage financially stable, operationally experienced utilities from participating in a compelled sale process. However, these are the very entities that distressed systems may need the most.

Rules with defined criteria for rate base determinations within the statutory range would provide prospective buyers with a reliable basis to assess the regulatory treatment of a potential acquisition. More predictability may, in turn, support the legislative intent behind SB 845 of facilitating the transition of distress system to safe and reliable service.

Administrative rulemaking is intended to provide clear, publicly accessible standards that guide decision-making. As currently drafted, the rules provide a prospective buyer seeking an acquisition adjustment with limited ability to evaluate eligibility, structure a transaction, or prepare an application consistent with the Commission's expectations. Establishing defined, publicly available standards would improve transparency and predictability for applicants and support more consistent application of the rules.

## III. Conclusion

SB 845 is intended to protect customers of distressed water utilities by facilitating a transition to safe and adequate service. Establishing clear standards and procedures for rate base determinations supports that objective by improving transparency and predictability for potential purchasers and other participants in a compelled sale. In addition, objective qualification criteria can help provide notice of the factors the Commission will consider and support development of an administrative record suitable for subsequent judicial review. NW

Natural Water welcomes the opportunity to provide additional information on any of the issues raised in these comments.

Please contact me if you have any questions or would like additional information.

Sincerely,

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